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January 17, 2002

[handwritten note: on hold — issues BLM denying legal right to enter issues, may be ready in 2-3 months.]

Earle Foster
Red Emerald Incorporated
3005 West Highway 6
Delta, Utah 84624

Re: Conditional Acceptance of Notice of Intention to Commence Small Mining Operations, Red
      Emerald Incorporated, Red Emerald Mine, S/001/058, Beaver County, Utah

Dear Mr. Foster:

On December 31, 2001, we received your Notice of Intention to Commence Small Mining Operations; however, the initial permit application fee was not received until January 14, 2001. The proposed Red Emerald Mine is located in the NW1/4 NW1/4 and the NE1/4 NW1/4 of Section 29, the NE1/4 of Section 30, the SW1/4 of Section 20, and the SE1/4 of Section 29, T29S R14W, SLBM, Beaver County, Utah.

There are still some important issues that need to be resolved before we can issue final acceptance of your Notice.

1)   The first and foremost issue that needs to be resolved is that you must have the right to mine on the lands you plan to permit. Until the Division has written confirmation of this right we can not accept this permit. You checked the box on our permit application that you have the legal right to enter and mine, but the Division has knowledge that this is not accurate. Please provide us with the necessary legal documentation when it becomes available.

2)   The second issue is you must post a reclamation bond with the BLM for the disturbance you intend to create immediately, or we will need to have GMI reclaim or withhold adequate bond to reclaim the road and pad.

3)   The final issue is we need you accept is reclamation responsibility for any reclamation within your permit area.

When these conditions have been met, you may commence with your mining operations as outlined, provided you have received written acceptance from the Bureau of Land Management (BLM) as this project is located on federal lands managed by the Bureau of Land.

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In accordance with rule R647-3-105 regarding the project location, the areas to be disturbed should be plotted on a map in sufficient detail so that they can be located on the ground. **It is also required that the operator mark the proposed (5 acre or less) disturbed area boundary (including access/haul roads) in the field with metal T-Posts (or with some other marker of equal effectiveness). Markers must be appropriately spaced so that the next marker in either direction is clearly visible with the naked eye.**

The Utah Mined Land Reclamation Act of 1975 [40-8-7(I)] provides the authority for fee implementation which was approved by the Utah Legislature at its 1998 session. Commencing July 1, 1998, the fees are assessed to new and existing notices of intention, and annually thereafter. Small Mining Notices require a $100.00 annual fee.

For your reference, I have enclosed copies of our summarized rules regarding "Operation and Reclamation Practices," and the statutory penalty for failure to reclaim a minesite (SMO-1). Please give special consideration to item #10 of the "Operation and Reclamation Practices. Stockpiling topsoil material prior to beginning your mining operation will help ensure successful revegetation efforts upon final reclamation of the minesite. If the area being mined is a solid rock outcrop, or if the land surface is very rocky, then soil stockpiling is probably not possible. However, even the first few inches of undeveloped material is worth saving to aid in later revegetation efforts, and future regulatory release from reclamation requirements.

Should you wish to expand your operation beyond the five (5) acre limitation, please notify this office as soon as possible to discuss the necessary permitting requirements. Approval of a large mining notice could take from six to twelve months or longer.

Thank you for your cooperation. Any questions regarding this letter can be directed to myself at 801-538-5321. When in the area, a member of the Division staff will examine the site. Best wishes with your mining operation.

Sincerely,

Tom Munson
Senior Reclamation Specialist

jb

cc: Ed Ginouves, BLM, Cedar City FO (UTU-72232)
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